

CAPITA



reconciliation services

Delivering scheme data excellence

Time to reconcile your differences

With the arrival of the new single-tier state pension and the end of contracting out, it is imperative for pension schemes to proactively deal with the Guaranteed Minimum Pension (GMP) reconciliation issue.

Schemes must engage in the process of reconciling their contracted out membership records with those held by HM Revenue & Customs (HMRC). It is a significant exercise and not one to be taken lightly.

HMRC has also confirmed that the current assistance available to scheme trustees through the National Insurance Contributions Office (NICO) will be withdrawn by the end of December 2018.

Given this prospect of an increasing number of schemes needing to reconcile GMPs in the near future with a finite period of HMRC assistance, trustees who are in a position to commence their reconciliation exercise should seriously

consider doing so: to avoid severe delays waiting for the NICO's assistance or, even worse, still being in the queue when the service ceases. The later the scheme gets in the queue at HMRC, the longer it risks having to wait. There is also no guarantee it will be able to deal with the inevitable queries before closing down.

The importance of carrying out necessary GMP reconciliations is reflected in the responses to our 2016 Pension Scheme Insight survey; more than half of respondents (53.6%) quoted GMP reconciliation as a major challenge for 2016. GMP reconciliation was the most commonly cited challenge for this year.

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2016 Pension Scheme Insight Report

Introducing our service

We follow an established and successful three-stage process that applies data analytics to reconcile scheme differences.

Experience has shown us that a three stage approach to reconciling scheme data allows for better project management and greater clarity of cost. Our methodology and process fully addresses the complicated cessation of the contracted out benefits and the impact on both historical and future benefit payments.

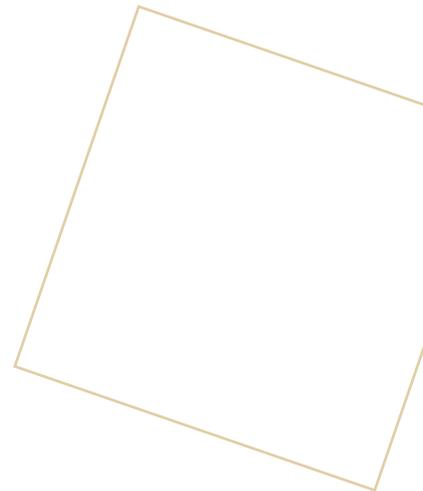
We ensure the right level of expertise and resource is allocated to each component, ensuring your specific objectives are met.

The benefits of reconciled data

Completing the GMP reconciliation ensures that your scheme is better positioned to take advantage of a number of exercises beyond simply having correct benefits.

These could include de-risking exercises such as buy-ins, buy-outs and longevity swaps and would be a pre-requisite if considering wind-up. In addition to this, GMP equalisation can also be managed effectively when the regulations are finalised.

Once the reconciliation process has been completed, trustees can feel reassured that discrepancies have been eliminated, contracted out membership agreed and the correct benefits being paid to pensioners. Transfer values will correctly reflect the benefits due and asset/liability modelling will be as accurate as possible.



Stage

1

Data comparison

Analysis to establish areas of data mismatch between scheme records and the data held on behalf of the scheme by HMRC, utilising the 'Shared Workspace' service offered by NICO

Reporting to provide a complete breakdown of gaps and mismatching data around the GMP liabilities and identify any trends in data inaccuracies

Recommendation on where reconciliation activity should be focussed

Plan of action for the reconciliation project and to fulfil trustee objectives

Stage

2

Reconciliation

Plan of action to reconcile all the mismatched and missing data

Matching resources appropriate to the level of technical knowledge required

Agree milestones with the aid of a detailed project management plan to help navigate the process

Reporting regularly to show progress

Cost control throughout the process



Stage

3

Rectification

Specifications developed and agreed

Data extraction requirements to be identified and agreed

Extraction of missing data

Run members through calculation tools

Sample reviews to be carried out

Produce output files

Upload results onto the pensions administration system

Member communications to be issued

Capita – the perfect partner for GMP reconciliation

To support you through this process, we have a dedicated team with in-depth knowledge of the GMP reconciliation process. A team fully embedded in the process, not just created in the last 18 months in light of the cessation of contracting out.

We have been actively working in the field of GMP reconciliation since 2002. Over the last decade, we have worked closely with HMRC to develop the processes that now underpin these exercises and have successfully completed over 150 reconciliations on behalf of clients.

Experience is vital in complex projects. We have dealt with a wide variety of scenarios; we know the solutions that work and can share this insight to make your reconciliation exercise run as smoothly and cost effectively as possible.

Next steps

If you'd like to find out more about our GMP reconciliation services, please contact your usual Capita consultant or email: ceb.marketing@capita.co.uk

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Employee benefits

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